

May 2019 Taiwan Manufacturing PMI

PMI at 48.2%

**New Orders, Production, Employment and Inventories Contracting
Supplier Deliveries Faster**

MANUFACTURING AT A GLANCE

May 2019

Index	Series Index May	Series Index April	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	48.2	51.7	-3.5	Contracting	From Growing	1	56.8	52.8	59.0	44.3	50.4	44.4
New Orders	47.5	50.9	-3.4	Contracting	From Growing	1	56.3	56.9	68.3	40.9	47.8	38.5
Production	46.5	51.9	-5.4	Contracting	From Growing	1	57.5	55.1	66.7	43.2	54.3	44.8
Employment	49.2	51.5	-2.3	Contracting	From Growing	1	57.5	52.3	55.0	48.9	54.3	47.9
Supplier Deliveries	48.3	50.5	-2.2	Faster	From Slowing	1	56.3	48.1	50.0	45.5	45.7	47.9
Inventories	49.6	53.7	-4.1	Contracting	From Growing	1	56.3	51.4	55.0	43.2	50.0	42.7
Customers' Inventories	46.4	42.6	+3.8	Too Low	Slower	6	50.0	47.2	46.7	44.3	43.5	44.8
Prices	43.7	50.7	-7.0	Decreasing	From Increasing	1	45.0	42.1	58.3	36.4	60.9	44.8
Backlog of Orders	48.4	49.9	-1.5	Contracting	Faster	2	46.3	48.1	65.0	50.0	45.7	35.4
New Export Orders	49.7	56.7	-7.0	Contracting	From Growing	1	58.8	53.7	56.7	36.4	52.2	41.7
Imports	48.4	53.8	-5.4	Contracting	From Growing	1	57.5	49.1	65.0	39.8	54.3	37.5
Future Outlooks	48.5	55.7	-7.2	Contracting	From Growing	1	50.0	52.8	58.3	38.6	47.8	37.5
Production Materials	37	36	-	-	-	-	45	33	39	42	27	37
MRO Supplies	31	30	-	-	-	-	40	30	31	34	25	29
Capital Expenditures	62	65	-	-	-	-	71	54	70	66	67	64

Chart 1: Time Series of Taiwan Manufacturing PMI

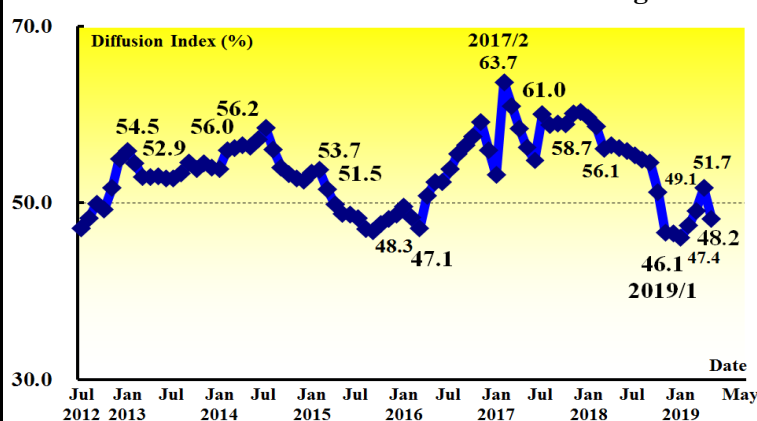
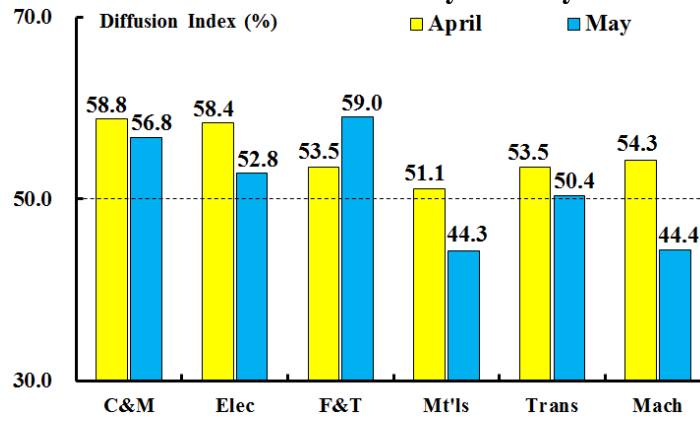


Chart 2: Performance by Industry



Summary

- The manufacturing sector unsuccessfully to pick up continuous momentum following only one month of growth as the seasonally adjusted Taiwan Manufacturing PMI fell 3.5 percent points to 48.2 percent in May.
- The seasonally adjusted New Orders Index decreased by 3.4 percentage points to 47.5 percent, following only one month of growth in the previous month.
- Manufacturers' production contracted after two-month growth, with the Production Index fell 5.4 percentage points to the seasonally adjusted May reading of 46.5 percent.
- The Inventories Index registered 49.6 percent, has declined from the highest recorded level of 53.7 percent since September 2018, indicating manufacturers are pursuing a rather conservative inventory policy in May.
- Manufacturers are currently buying at the lower prices in May as the Price Index fell below the middle point (50.0%) for the first time since February 2019 and registered 43.7 percent in May.
- Both New Export Orders and Imports Indexes contracted for the first time in the past three months as they dropped 7.0 and 5.4 percentage points to 49.7 and 48.4 percent, respectively.
- The Future Outlooks Index reversed its recent trend of growth and has now turned to contraction as the index fell 7.2 percentage points to 48.5 percent in May.
- Of the six manufacturing industries categories, Basic Materials (44.3%) and Electrical & Machinery Equipment (44.4%) failed to grow in May. Chemical, Biological & Medical (56.8%), Electronic & Optical (52.8%) and Transportation Equipment industry (50.4%) expanded at a slower rate. Only Foods & Textiles PMI registered 5.5 percentage points higher than the 53.5 percent in April.

About this Report

This report is jointly issued by the National Development Council (NDC) – a cabinet-level ministry, the Chung-Hua Institution for Economic Research (CIER), and the Supply Management Institute, Taiwan (SMIT). CIER makes no representation, other than that stated within this release, regarding the individual company data collection procedures.

Data and Method of Presentation

The Survey is based on data compiled from monthly replies to questionnaires sent to manufacturing purchasing and supply executives in about 300 manufacturing companies. The panel has been carefully selected to accurately replicate the actual structure of the manufacturing economy, based on each industry's contribution to gross domestic product (GDP). The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally decline. Responses to Buying Policy reflect the percent reporting the current month's lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials; Capital Expenditures; and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (five days), 30 days, 60 days, 90 days, six months (180 days), a year or more (360 days), and the weighted average number of days.

We re-categorize the manufacturing subsectors listed in the Standard Industrial Classification System of the Republic of China (Rev.9, 2011) into six broad categories. **The Chemical, Biological & Medical industry (C&M)** which includes Manufacture of Chemical Material, Manufacture of Chemical Products, Manufacture of Pharmaceuticals and Medicinal Chemical Products and Manufacture of Medical Instruments and Supplies. **The Electronic & Optical industry (Elec)** which comprises Manufacture of Electronic Parts and Components and Manufacture of Computers, Electronic and Optical Products. **The Foods & Textiles industry (F&T)** which comprises Manufacture of Food Products, Manufacture of Beverages, Manufacture of Tobacco Products, Manufacture of Textiles, Manufacture of Wearing Apparel and Clothing Accessories, Manufacture of Leather, Fur and Related Products. **The Basic Materials industry (Mt'ls)** which includes Manufacture of Wood and of Products of Wood and Bamboo, Manufacture of Pulp, Paper and Paperboard, Printing and Service Activities Related to Printing, Manufacture of Rubber Products, Manufacture of Plastics Products, Manufacture of Other Non-metallic Mineral Products, Manufacture of Basic Metals and Manufacture of Fabricated Metal Products. **The Transportation Equipment industry (Trans)** which comprises Manufacture of Motor Vehicles and Parts and Manufacture of Other Transport Equipment and Parts. The last category is **Electrical & Machinery Equipment industry (Mach)** which includes Manufacture of Electrical Equipment and Manufacture of Machinery and Equipment.

Starting from each release of the Month of April 2018, the index numbers for Manufacturing PMI, New Orders, Production and Employment are seasonally adjusted to remove those seasonal components and calendar effects such as trading day, leap year and other moving holiday effects. Averaging the seasonally adjusted component series (the New Orders, Production, and Employment indexes) and the seasonally unadjusted components (Supplier Delivers and Inventories indexes) which will give rise to the indirect seasonally adjusted Manufacturing PMI. As the direct seasonally adjusted PMI is more stable than the indirect seasonally adjusted PMI, CIER assumes the difference between these two indexes to three seasonally adjusted component series using the variance of each irregular component as weights. Therefore, the equality of seasonally adjusted PMI and its component series is maintained. The diffusion indexes other than the PMI component series and the industrial data are raw data and not seasonally adjusted.

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